

Congress of the United States

Washington, DC 20515

May 7, 2001

The Honorable Frank Wolf
Chairman, Subcommittee on Commerce, Justice,
State, the Judiciary, and Related Agencies
H 309 Capitol Building
Washington, D.C. 20515-6017

The Honorable Jose Serrano
Ranking Minority Member,
Subcommittee on Commerce,
Justice, State, the Judiciary,
and Related Agencies
2342 Rayburn House Office Bldg.
Washington, DC 20515-3216

Dear Mr. Chairman and Congressman Serrano:

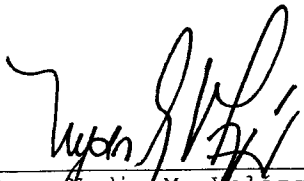
We are writing to request a \$117 million Fiscal Year 2002 appropriation for the Small Business Administration's 7(a) guaranteed loan program. This request reflects Senate budget action on the 7(a) program. It represents a \$12 million or 8 3/4 percent reduction from the program's Fiscal Year 2001 appropriation yet it would still support an \$11 billion program level in the coming fiscal year, approximately the administration's estimated program demand level.

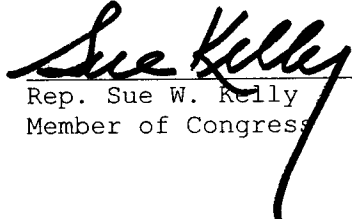
The 7(a) guaranteed loan program takes on an increasingly important public policy purpose during difficult economic times. It does so in two principle ways. First, even in periods of strong economic growth, lenders often will not extend long-term capital to small businesses because of the short-term nature of their deposit base. The 7(a) program, because of the federal guarantee, allows lenders to make those long-term small business loans they otherwise would likely not make. Based on statistics from the Federal Deposit Insurance Corporation and the Small Business Administration, it is estimated that 28 percent of long-term loans to small businesses, loans with a maturity of more than 3 years), carry an SBA 7(a) guarantee.

Second, lenders will rarely provide a conventional small business loan with a maturity of more than 5 years. According to the OMB, the average maturity on a 7(a) loan is 14 years. This longer maturity greatly improves the cash flow position of the small business borrower. For example, extending a loan with a 5 year maturity to just 10 years reduces the borrower's monthly principal and interest payment by 36 percent. Better, more favorable loan conditions are always important to small business borrowers but are critical during periods of slow economic growth.

We appreciate the Subcommittee's continued support for SBA's 7(a) guaranteed loan program. We hope you will agree with us that it is instrumental in helping lenders meet small business credit needs by appropriating \$117 to it in Fiscal Year 2002.

Sincerely,


Rep. Nydia M. Velázquez
Member of Congress


Rep. Sue W. Kelly
Member of Congress

Frank Baker

Marion Fenn

John / Lucas

Daniel E. Benin

Charles Rangel

Shelley Moore Capito

~~James D. ...~~ Danny R. Davis

Bill Pascrell, Jr.

~~Anna McIntosh~~
Tom Cobble

Pat A. Bushy

~~Stephen ...~~

David Phelps

Charles F. Ziegler

Grace F. Napolitano

Benjamin

Mark Udall

Jim Langerin

Bob Carr

Mike Ron

Carol ...

Michael R. McMurtry

Jim Baldacci

Leo B. Siff

Joe Keltner

Lois Capps

Jim D. Jefferson

Jim Ware

Delmar S. Watt

Tom Allen

John Lewis

Tom Lauros

Cynthia McKinney

Karen McCarthy

Jim Oberstar

Shelley Berkley

Loretta Sanchez

Elijah E. Cummings

Robert A. Underwood

June Harman

Albert R. Upton

John W. McHugh

Don Barnett

Phil English

Edith R.

D. Mue

Donald M. Payne
